

ITEL

March 26, 1992

Itel Rail Corporation

550 California Street
San Francisco, CA 94104
(415) 984-4200

Hon. Sidney L. Strickland, Jr., Esq.
Secretary
Interstate Commerce Commission
Washington, DC 20423

RECORDATION NO. 16412 FILED 1425

MAR 27 1992 -3 50 PM

Re: Amendment No. 3

2-087A067 INTERSTATE COMMERCE COMMISSION

Dear Mr. Strickland:

On behalf of Itel Rail Corporation, the above instrument, in three (3) counterparts, is hereby submitted for filing and recording pursuant to 49 U.S.C. Section 11303(a), along with the \$16 recordation fee.

Please record the subject Amendment under the Master Lease dated as of June 15, 1989, between Itel Rail Corporation and McCloud River Railroad Company, which was filed with the ICC on July 5, 1989, under recordation number 16412.

The parties to the aforementioned instrument are listed below:

Itel Rail Corporation (Lessor)
550 California Street
San Francisco, California 94104

McCloud River Railroad Company (Lessee)
325 Main Street
McCloud, California 96057

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MOTOR OPERATING UNIT

Amendment No. 3 adds to the Master Lease seventy-five (75) 50 foot, 70 ton, Plate C, XM boxcars bearing reporting marks MR 178882-178956.

Please return to the undersigned the stamped counterparts not required for filing purposes, together with the ICC fee receipt and acknowledgment letter.

Very truly yours,

Patricia Schumacker
Patricia Schumacker
Legal Assistant

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SCHEDULE NO. 3

INTERSTATE COMMERCE COMMISSION

THIS SCHEDULE NO. 3 ("Schedule") dated January 1, 1992 to that certain Lease Agreement (the "Agreement") made as of June 15, 1989 is entered into by and between ITEL RAIL CORPORATION ("Lessor"), as successor to Itel Rail Corporation and Itel Railcar Corporation, and MCCLOUD RIVER RAILROAD COMPANY ("Lessee").

Lessor and Lessee agree as follows:

1. All capitalized terms defined in the Agreement shall have the meanings defined therein when used in this Schedule No. 3, except that the term "Cars" as used herein shall only refer to the equipment described in this Schedule unless otherwise indicated.
2. Lessor hereby leases the following Cars to Lessee subject to the terms and conditions of the Agreement and this Schedule:

AAR Mech. Desig.	Description	Numbers	Dimensions (Approx.)			Doors Width	No. of Cars
			Length	Inside Width	Height		
XP	70-Ton, Plate C Boxcars, Lading anchors, continuous	MR 178882- 178956	50' 7	9' 6"	11'	10' Plug	75

3. A. Effective January 1, 1992, the Agreement and this Schedule shall supersede the sublease agreement dated December 15, 1986 between Green Bay and Western Railroad Company and Lessee with respect to the Cars. The term of the Agreement with respect to this Schedule shall be deemed to have commenced on January 1, 1992 and shall continue for 4 years thereafter.
- B. The parties agree that the Cars are to be used in non-corrosive service only and shall not be used for the shipment of any other commodity without Lessor's written consent.
4. If any Car(s) returns to Lessee's lines prior to the expiration or termination of the assignment agreement dated November 4, 1986, as amended, between Lessee as assignor and Canadian National Railways ("CN") as assignee (the "CN Assignment Agreement", attached hereto as Exhibit A), Lessor shall be responsible for all costs associated with such Car(s) being entered into and removed from a storage facility ("Storage") by Lessee, including but not limited to a switching fee of dollars (\$) each per Car per occurrence, and a storage charge of (\$) per Car per day, and for all costs associated with returning such Car(s) to Assignee's lines. Lessee shall notify Lessor upon the placement of any Car(s) into Storage. Lessee shall use its best efforts to prevent any Car from being interchanged onto its lines during the term of the CN Assignment Agreement, including advising Lessee's connecting carrier that the Cars have been placed into an assignment pool

on Assignee's lines and that the connecting carrier should not return such Cars to Lessee during the term of the CN Assignment Agreement.

5. The parties agree that Lessor shall perform Lessee's duties under the CN Assignment Agreement, that Lessee shall, only upon Lessor's instructions or consent, exercise its option to terminate, extend, renegotiate or request free storage under the CN Assignment Agreement, and that Lessee shall, if directed by Lessor, assign Lessee's interest in the CN Assignment Agreement to any party designated by Lessor.
6. Lessor shall perform or cause to be performed and shall pay all costs and expenses associated with the maintenance of the Cars described in this Schedule, except those delegated to Lessee as set forth in Subsection 5.B. of the Agreement. With respect to the Cars listed in this Schedule, Exhibit B attached hereto is hereby added to the Agreement. Subsection 5.A. of the Agreement shall not apply with respect to such Cars.
7. Lessor shall reimburse Lessee for all federal, state and local property taxes assessed against or levied upon the Cars and paid by Lessee. Lessor may contest such taxes in appropriate proceedings and Lessee will cooperate with Lessor in such contest. Lessor shall not be liable for penalties or interest payable. Lessee shall forward to Lessor upon receipt copies of all correspondence, notifications of proposed assessments and tax bills with respect to such property taxes. Upon Lessor's reasonable request Lessee shall provide Lessor with a draft of Lessee's property tax return before it is filed. Lessee shall be liable for all other taxes or governmental impositions with respect to the Cars.
8. Rent

A. Definitions

- (i) "Eligible Lines" is defined as the railroad lines owned and operated by Lessee as of January 1, 1992. Any lines purchased by Lessee or added to the Eligible Lines or any Eligible Lines sold by Lessee to another party during the term of this Schedule effective on the date of such sale, are deemed to be the lines of another railroad company (a foreign road) for the purposes of determining Revenues (as defined in Subsection 8.A.(iii) hereinbelow).
- (ii) "Revenue Rates" is defined as the hourly and mileage car hire rates specified for each Car in the Hourly and Mileage Car Hire Rate Table published in the January 1992 edition of The Official Railway Equipment Register, as may be updated from time to time.
- (iii) "Revenues" is defined as the total revenues, calculated at the Revenue Rates, that are earned or due for the use and handling of the Cars on all railroad lines other than the Eligible Lines, including, but not limited to, per diem and mileage, whether or not collected and received by Lessor, and undiminished by any claimed abatement, reduction or offset caused by any action or failure of Lessee.

- B. Lessor shall receive _____ of all Revenues earned by each Car during the term of the CN Assignment Agreement.
- C. Upon the expiration or early termination of the CN Assignment Agreement, Lessor shall receive _____ each Car while such Car is off the Eligible Lines.
- D. (1) If as a result of any action or inaction by Lessee (including but not limited to any abatement, reduction or offset claimed by a using or handling carrier), Lessor shall receive with respect to any calendar year amounts for the use or handling of the Cars on any Schedule on any railroad line other than the Eligible Lines which are less than the Revenues earned during such calendar year or are less than the Cars would have earned at the Revenue Rates, Lessee shall pay to Lessor within 10 days of Lessor's request an amount equal to the difference between the amount actually received and the Revenues such Cars would have earned at the Revenue Rates.
- (11) Should any abatement, reduction or offset occur as a result of any action or inaction of Lessee, Lessee shall, within 10 days of Lessor's request, reimburse Lessor the amount of such abatement, reduction or offset.
- (111) If Lessee operates lines other than the Eligible Lines, Lessee shall supply Lessor with records which distinguish the movement of each Car on the Eligible Lines from the movement of such Car on any other lines operated by Lessee.
- E. Without Lessor's prior written approval, Lessee shall not enter into any agreement with any party that affects the Revenues earned by any Cars.
- F. (1) If the ICC ceases to prescribe car hire rates or significantly alters in a way adverse to Lessor the manner in which car hire rates are prescribed or the rates themselves, the parties shall in good faith negotiate to amend this Section so that the amounts Lessor receives in rent after such ICC action are approximately the same as Lessor would have received had no such ICC action occurred. If such good faith negotiations are unsuccessful, Lessor may terminate the Agreement with respect to any or all of the Cars upon not less than 30 days written notice to Lessee at any time during the Agreement.
- (ii) Lessor shall determine car hire rates offered to users of deprescribed Cars and shall, at Lessor's expense, prepare and present the owner's case in any arbitration or other proceeding held to resolve disputed car hire rates.
9. Except as expressly modified by this or any other Schedule, all terms and provisions of the Agreement shall remain in full force and effect with respect to all Cars subject to the Agreement.

10. This Schedule may be executed by the parties hereto in any number of counterparts, and all counterparts taken together shall be deemed to constitute one instrument.

Each party, pursuant to due corporate authority, has caused this Schedule to be executed by its authorized officer or other employee, and each of the undersigned declares under penalty of perjury that he or she holds the title indicated below, that the execution of this Schedule was the free act and deed of the corporation, the foregoing is true and correct and that this Schedule was executed on the date indicated below.

ITEL RAIL CORPORATION

By: *Pat Kelly*
Title: *Vice President*
Date: *3/17/92*

MCCLLOUD RIVER RAILROAD COMPANY

By: *W J Hume*
Title: *CHAIRMAN OF THE BOARD*
Date: _____

EXHIBIT B

RUNNING REPAIRS

BOXCARS

Angle Cocks	Wheel Assemblies
Air Hose	Yokes
Train Line	Knuckles/Pins
Operating Levers and Brackets	Slack Adjuster
Sill Steps	Couplers
Grab Irons	Draft Gears
Brake Shoes	Coupler Carriers
Brake Shoe Keys	Center Plate Repair (Not Replacement of Center Plate)
Brake Connecting Pin	Cotter Keys
Brake Head Wear Plates	Roller Bearing Adapters
Air Brakes	Air Hose Support
Hand Brakes	Door Hardware (Not Replacement of Door)
Brake Beams and Levers	
Truck Springs	